

RATES - SECTION D7

Utilities, Insurance, Special Patient Care Services - Schedule S

The CFA rates for each of these costs will include the lower of:

- actual expenditures (fringed) for the reporting period, or
- a reasonableness limit established per the Guidelines (Section C of the CARE Manual)

The reasonableness limit for utilities is based upon licensed NF beds.

The reasonableness limit for insurance, 110% of Median Insurance Costs, is based upon reasonable appraised value of buildings as shown on Schedule P. Separate limits per \$1,000 of appraised value are developed for urban and nonurban NFs.

The reasonableness limit for each special patient care service on Schedule S-1 is based upon total NF days.

All limits are established in terms of equalized costs (see Section D-1) and compared against each NFs equalized costs.

Where an NFs equalized costs exceed the limit, a ratio is calculated equal to the equalized limit divided by equalized actual costs. For example:

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- If the reasonableness limit (equalized) is \$40,000, and
 - the NF's equalized cost is \$50,000,
 - then 80 percent ($40,000/50,000$) of that NF's costs are considered reasonable for CFA rates.
-
- If that NF's actual unequalized (i.e., fringed NF costs) are \$52,000,
 - then 80 percent x \$52,000 or \$41,600 will be included in CFA rates.

Where a NF's actual equalized cost is less than the equalized limit, then the CFA rates will include all actual costs.

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RATES - SECTION D8

Maintenance and Replacements - Schedule U

This Schedule calculates reasonable expenditures for maintenance and replacements (M & R) for inclusion in CFA rates. It also calculates the amount of over/under expenditures that may be carried forward to the following year.

Eligible Expenditures

Eligible M & R expenditures include:

- Certain capital expenditures and leasing costs as defined on Line A of Schedule U, prorated where appropriate to NF patients based upon the ratio of NF plant square feet to total plant square feet (Line D).
- Fringed maintenance costs applicable to NF patients as defined on Line F.
- A carryover of expenditures in the previous year that were in excess of the amount included in the previous year's CFA rates. (If the previous year's expenditures were under that year's limit, the underexpenditure adds to the reasonableness limit per Line N).

Reasonableness Limit

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Reasonableness limits have been calculated statewide per plant square foot

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and adjusted for geographic wage differentials to provide for individual limits per plant square foot for each salary region. These limits are calculated at average price levels prevailing for the prior calendar year (using "equalized" costs as explained in Section D-1 of this manual).

Lines I-K calculate the limit for each NF on this basis.

Lines L and M adjust this limit to average price levels during each NF's reporting period. (No adjustment is required for reporting periods ending in December).

Line N increments the limit for this year by any underexpenditure of the previous year's limit.

Line O is the total limit for this year. If the total eligible expenditures (Line H) exceed this limit, then the limit is included in CFA rates (Line P) and the excess is entered on the last line of the Schedule as the overexpenditure to be carried forward to the following year.

If the total eligible expenditures for this year are less than the limit (Line O), then all of the eligible expenditures are included in CFA rates and the amount of the underexpenditure is entered below as an addition to the limit for the following year.

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Lines Q-S convert the amount included in CFA rates to a per diem based upon target occupancy of 347 patient days per licensed bed (95 percent occupancy), or for Class III NFs with a base period Medicaid occupancy of at least 80% a target occupancy of 329 patient days per licensed bed (90 percent occupancy).

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PROCEDURES FOR AUDIT - STATE OF NEW JERSEY

This narrative is designed to meet the requirements of 42 CFR 447.253(e).

1. The first step in the on-site auditing process is the drafting of an annual audit plan. The annual audit plan includes the nursing facilities (NF) projected to be audited in a twelve-month period.
2. Each NF is notified by letter of the impending audit by the Office of Auditing. This notification is made well in advance of the projected starting date of the on-site audit.
3. When the audit starts, an audit program is used which is designed to guide the auditors in conducting their audit.
 - a. The audits are performed in conformity with generally accepted auditing standards.
 - b. The audits are adequate in scope to verify:
 - (1) That the NF provider has included only those expense items that DMAHS has specified as allowable costs.
 - (2) That the NF provider has accurately determined its allowable costs.
 - (3) That the NF provider has accurately attributed allowable costs to the cost of services.
 - (4) That the NF provider's allowable costs are reasonable.

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4. Upon completion of field work and final review, a draft report will be prepared by the Office of Auditing and transmitted to the facility.
5. The facility's representatives are advised in a transmittal letter that they have fifteen working days to make a written request for an exit conference. Failure to make such a request results in the abrogation of all rights to an exit conference.
6. The audit report is forwarded by the Office of Auditing to DMAHS after exit conference (if such is requested by facility), and DMAHS calculates audited rates. Subsequent to this rate recalculation, the Division will send a copy of the audit report and a Preliminary Notice of Demand and Administrative Recovery Proceedings to the facility for the assessment of any overpayments, interest and other penalties.
7. Audit reports will be retained for at least three years after receipt.
8. In some instances, the auditors conduct a review of patients' personal need allowance and available income.

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STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

Nursing Facilities

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